



U.S. House Committee on **ENERGY & COMMERCE**

Joe Barton

Chairman, R-Texas

Refinery Permit Process Schedule Act

Gasoline prices are reaching near-record levels, due to pressures exerted by supply, demand and geopolitics. Meanwhile, no new refinery has been built in the United States in 30 years. During that time, demand has increased, resulting in our importing about 12 percent of our gasoline needs. We need to increase our domestic ability to refine crude oil.

Oil companies cite regulatory uncertainty as one of the reasons they forgo adding refining capacity in the United States. The Refinery Permit Process Schedule Act establishes regulatory certainty for companies as they make long-term decisions to expand refining capacity, removing one key stumbling block to expansion.

The bill would help reduce dependence on imports because it takes the following actions:

- Establishes a federal coordinator who will convene all the players in all U.S. government agencies responsible for issuing permits to develop a facility and help them coordinate and expedite their schedules so that decisions on permits can move as quickly as our environmental and other laws will allow.
- Brings all federal and state agencies together in a coordinated capacity to make it easier to add fuel refining capacity.
- Eliminates needless bureaucratic delay in the permitting process for new or expanded gasoline, biofuel or distillate-processing facilities.
- Preserves the strict environmental standards that must be met for these facilities to be developed, including Clean Air Act, Clean Water Act and Resource Conservation Recovery Act requirements.

The bill:

- *Does not* prevent private citizens from availing themselves of any and all legal options to appeal the permitting process.
- *Does not* allow any agency or facility developer to short-circuit environmental compliance.

Why America Needs New Refining Capacity

Lack of U.S. refineries drives up costs at the pump.

While some refineries have expanded, no new refinery has been constructed in the United States since 1976. There are 148 operating refineries in the United States, down from 324 in 1981. Total capacity at operating refineries is roughly 17 million barrels per day, while total United States demand averages nearly 21 million barrels per day. This growing gap is met by an increasing amount of imports of refined products from foreign sources.

U.S. refineries are too concentrated in Gulf States vulnerable to natural disasters.

About 47 percent of our refining capacity is in the Gulf States and 28 percent of our oil production is concentrated offshore in the Gulf of Mexico. Any change can cause supply constraints and price spikes. Streamlining the permitting process will ease refinery siting in areas away from the Gulf States.

Hurricanes Katrina and Rita brought oil production and refining in the Gulf to a stand still, driving up prices.

- ✓ Within a week of Hurricane Katrina's landfall, the national average retail price for motor vehicle gasoline rose by 46 cents to \$3.069 per gallon. Prices of other refined fuels also rose quickly in response to the hurricane.
- ✓ In the immediate aftermath of Katrina alone, U.S. refining capacity was reduced by more than 2 million barrels per day.
- ✓ According to economic analysis, households are conservatively estimated to spend around \$1,900 this year on gasoline, up 45 percent from three years ago and households with incomes under \$15,000 (20 percent of all households) this year will spend, on average, more than 10 percent of their income just on gasoline.
- ✓ Supply constraints have an even bigger impact on rural Americans. It is estimated that rural Americans will spend more than \$2,000 on gasoline. Rural Americans are paying an around 22 percent more for gasoline than their urban counterparts because they must drive longer distances.

Refineries aren't being built due, in part, to a permitting process that is overly cumbersome and capital intensive.

- ✓ Refiners are subject to significant environmental and other regulations and face several new Clean Air Act requirements over the next decade. New Clean Air Act requirements will benefit the environment but will also require substantial capital investment and additional government permits.
- ✓ There is currently a lack of coordination in permitting requirements and other regulations affecting refineries at federal, state and local levels. There is no consistent national permitting program for refineries, compared with the Federal Energy Regulatory Commission's (FERC) lead agency role over interstate natural gas pipelines, liquefied natural gas and hydroelectric power and the Nuclear Regulatory Commission's role over nuclear plants. More regulatory certainty and coordination is needed for refinery owners to stimulate investment in increased refinery capacity.

Our national security is threatened by a growing reliance on foreign sources of refined petroleum products. It serves the national interest to increase refinery capacity for gasoline, heating oil, diesel fuel and jet fuel wherever located within the United States, to bring more supply to the markets for use by the American people.